

**Chippewa Valley Schools
Clinton Township, Michigan**

**Financial Report
with Supplemental Information
June 30, 2009**

Chippewa Valley Schools

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Independent Auditor's Report

To the Board of Education
Chippewa Valley Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Valley Schools (the "School District") as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chippewa Valley Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Valley Schools as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 11 and the budgetary comparison schedule are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education
Chippewa Valley Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa Valley Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2009 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

September 15, 2009

Chippewa Valley Schools

Management's Discussion and Analysis

This section of Chippewa Valley Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Chippewa Valley Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2005 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The format of the annual report is as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for General Fund

Other Supplemental Information

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets (deficit) - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety and maintenance of the schools, to assess the overall health of the School District.

The statement of net assets (deficit) and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, building activities, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service, Athletic, and Building Activity Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets (deficit) and the statement of activities) and governmental funds in a reconciliation.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets (deficit) provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets (deficit) as of June 30, 2009 and, for comparative purposes, net assets (deficit) as of June 30, 2008:

Table I	Governmental Activities	
	2009	2008
	(in millions)	
Assets		
Current and other assets	\$ 52.5	\$ 73.7
Capital assets	<u>372.0</u>	<u>363.5</u>
Total assets	424.5	437.2
Liabilities		
Current liabilities	44.8	45.1
Long-term liabilities	<u>430.6</u>	<u>440.0</u>
Total liabilities	<u>475.4</u>	<u>485.1</u>
Net Assets (Deficit)		
Invested in property and equipment - Net of related debt	(52.0)	(54.7)
Restricted	2.4	4.5
Unrestricted	<u>(1.3)</u>	<u>2.3</u>
Total net assets (deficit)	<u>\$ (50.9)</u>	<u>\$ (47.9)</u>

The above analysis focuses on the net assets (deficit) (see Table I). The change in net assets (deficit) of the School District's governmental activities is discussed below (see Table 2). The School District's net assets (deficit) were (\$50.9) million at June 30, 2009.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Capital assets, net of related debt totaling (\$52.0) million, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Key reasons for the capital assets, net of related debt totaling (\$52.0) million, include the School District's participation with the School Bond Loan Fund program and the retirement of debt not equal to the current level of depreciation. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations.

The remaining amount of net assets (deficit) of (\$1.3) million was unrestricted. The (\$1.3) million in unrestricted net assets (deficit) of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets (deficit) from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2009 and, for comparative purposes, the change in net assets for fiscal year 2008.

TABLE 2

	Governmental Activities	
	2009	2008
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 6.4	\$ 4.9
Federal grants and entitlements	11.2	4.7
State categoricals	6.1	6.3
Operating grants	3.5	3.4
General revenue:		
Property taxes	43.9	44.1
State foundation allowance	91.3	93.6
Other	3.6	7.0
Total revenue	166.0	164.0

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2009	2008
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 83.1	\$ 74.8
Support services	46.3	42.0
Community services	0.9	0.8
Building activities	2.0	1.9
Food services	3.3	3.3
Athletics	1.8	1.8
International Academy	0.9	-
Interest on long-term debt	20.1	20.2
Depreciation (unallocated)	10.6	9.2
Total functions/program expenses	169.0	154.0
(Decrease) Increase in Net Assets	\$ (3.0)	\$ 10.0

As reported in the statement of activities, the cost of all of our governmental activities this year was \$169.0 million. Certain activities were partially funded from those who benefited from the programs (\$6.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$20.8 million). We paid for the remaining public benefit portion of our governmental activities with \$43.9 million in taxes, \$91.3 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of \$3.0 million. The key reasons for the change in net assets are the accrued interest on the School Bond Loan Fund and School Bond Revolving Fund as well as an increase in the self-insurance liability.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it to control and manage money for particular purposes. Looking at the funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$34.3 million, which is a decrease of \$20.9 million from last year. The primary reason for the decrease was the continued use of 2005 bond funds. In the 2008/2009 school year, \$22.3 million of 2005 bond money was expended on projects approved by taxpayers, of which approximately \$396,000 was funded by the federal COPS grant. There remains \$14 million in the 2005 bond funds to complete remaining projects. The projects for the 2005 bond issue are estimated to be 90 percent complete as of June 30, 2009.

In the General Fund, our principal operating fund, the fund balance decreased by approximately \$90,000 from \$16.4 million to \$16.3 million. The fund balance had been projected to decrease by \$1.3 million but continued conservative operations resulted in the smaller decrease in fund balance of approximately \$90,000.

Special Revenue Funds include Food Service, Athletics, Resale, Building Activities/Childcare, and Macomb International Academy. The combined Special Revenue Funds fund balance increased by approximately \$338,000. Food Service fund balance increased by approximately \$158,000, athletics fund balance remained the same, resale fund balance decreased by approximately \$60,000, building activities/childcare fund balance decreased by approximately \$127,000, and Macomb International Academy fund balance increased by approximately \$366,000 (results of one-time supplement from Macomb County Intermediate School District).

Combined, the Debt Service Funds showed a fund balance increase of approximately \$165,000. Chippewa Valley Schools continues to assess the maximum allowable millage rate to fund operations (18 mills on nonhomestead property) and the required millage rate for debt retirement to participate in the School Bond Loan Fund. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt service obligations are funded by annual state appropriation. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. Amendments to the General Fund budget were adopted on December 1, 2008 and May 18, 2009. A schedule showing the School District's original and final budget compared with amounts actually received and expended is provided in the supplemental information section of these financial statements. It should be noted that, in June 2009, we were notified that our State Aid foundation allowance was going to be reduced by \$5,788,950 and replaced by ARRA federal stimulus funding in the same amount. An amendment to the General Fund budget was not made reflecting this reclassification of revenue source.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

From the original adopted budget to the final amended budget, total projected revenue including other financing sources was increased by 1.57 percent or about \$1,990,000, while total projected expenditures including other financing uses was decreased by less than 0.1 percent or about \$22,000, bringing projected revenues to \$128,914,741 and projected expenditures to \$130,254,292 in the final amended budget.

Revenue changes from original to final amended budget include a one-time adjustment for Medicaid, a Blue Cross/Blue Shield prior year settlement, an insurance settlement, Macomb International Academy building rental and fund transfer, property tax adjustments reflected in state aid, special education funding, adjustments in various grants, and other smaller miscellaneous adjustments.

Projected expenditure changes included provisions for expenditures of carryover grant amounts for federal and state programs and adjustments to expenditure categories in the areas of wages, benefits, purchased services, supplies and materials, and transfers. Two significant increases are for Macomb International Academy teacher costs and property tax refunds. With energy cost reductions in 2008/2009, we had budget decreases for diesel fuel, electricity, and natural gas.

When comparing budget to actual figures for both revenue and expenditures, actual revenue was \$104,000 under projected revenue (.08 percent) and actual expenditures were \$1,353,000 under projected expenditures (1.04 percent). Actual expenditures were under budget in all major categories: wages (\$525,000 or .7 percent), benefits (\$334,000 or 1.0 percent), purchased services (\$178,000 or 3.3 percent), and supplies, materials, and other (\$315,000 or 3.4 percent).

Actual fund balance decreased by \$90,000 to \$16,355,000 (rather than the projected decrease of \$1,340,000 to \$15,105,000). The lower than projected decrease in fund balance of \$1,250,000 represents about 1.0 percent of actual expenditures. As a percentage of expenditures, fund balance decreased from 13.8 percent to 12.8 percent.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2009, the School District had \$461.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase of approximately \$18.9 million, or 4.3 percent, from last year.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

	2009	2008
Land	\$ 13,091,640	\$ 12,414,233
Construction in progress	-	2,654,764
Buildings and building improvements	410,687,015	392,842,374
Buses and other vehicles	8,279,112	7,229,869
Furniture and equipment	29,341,143	27,331,483
Total capital assets	<u>\$ 461,398,910</u>	<u>\$ 442,472,723</u>

This year's net additions of \$18.9 million included building additions and renovations, technology, and buses. The additions were financed primarily from the 2005 Capital Projects Fund.

We anticipate capital additions in 2009-2010 will be less than the 2008-2009 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of the year, the School District had \$351.0 million in general obligation bonds outstanding versus \$372.5 million in the previous year - a change of approximately 5.8 percent. The decrease in outstanding debt was the result of the repayment of principal on outstanding debt.

Those bonds consisted of the following:

	2009	2008
General obligation bonds	<u>\$ 351,016,000</u>	<u>\$ 372,506,000</u>

The School District's general obligation bond rating was AAA per S&P at its issuance. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to the debt limit. The School District's outstanding qualified general obligation debt of \$351.0 million does not apply to the \$583.4 million statutory limit. The School District has no unqualified general obligation debt.

In addition, the School District has accumulated debt and accrued interest of approximately \$39.8 million and \$46.7 million to be paid to Michigan's School Bond Loan Fund and Michigan's School Bond Loan Revolving Fund, respectively.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Economic conditions and the ability of the State of Michigan to adequately fund K-12 education continue to be an escalating concern for Chippewa Valley Schools and all school districts in Michigan for 2009-2010 and beyond. In the just completed 2008-2009 year, ARRA federal stimulus money was needed to keep promised School District funding whole (state aid was reduced \$5,788,950 and replaced in like amount with ARRA federal stimulus funds for Chippewa Valley Schools). While no School State Aid Bill for 2009-2010 has been adopted (there is a governor's proposal, a House proposal, and a Senate proposal), all proposals project a significant shortfall in state revenue to keep the minimum per pupil funding base at the level it was in 2008-2009. Monthly revenue receipts at the State continue to be lower than recent projections by significant amounts. There is still ARRA federal stimulus money remaining at the state level that could be used for the 2009-2010 school year and there is the potential that the ARRA funds will keep funding at the 2008-2009 level; however, this creates great uncertainty for the 2009-2010 school year and beyond.

During the past five years, Chippewa Valley Schools has made adjustments and implemented cost-savings measures that have reduced costs by over \$10 million. In addition, the School District has successfully opened several new facilities to accommodate the continued student growth in the School District. For 2009-2010, the School District will be implementing a new self-insured dental program to save an amount estimated to be \$150,000 and will have fixed prices for natural gas at several building on the Consumers Energy choice program that will also result in savings.

The preliminary budget for the General Fund for 2009-2010 adopted on June 15, 2009 uses the same foundation allowance as in 2008-2009 and an enrollment increase of 200, replaces \$590 per pupil (or \$9,326,000) of state aid with ARRA federal stimulus funding, wage increases as determined by negotiated contracts with employee groups, and a retirement contribution rate that increases from 16.54 percent to 16.94 percent. Using the factors indicated and best estimates for other factors, the adopted budget projects that expenditures will exceed revenue by \$4.06 million or 3 percent. The \$4.06 million will be covered by the fund balance. The adopted 2009-2010 budget does not factor in the use of ARRA IDEA funds to cover the cost of ongoing special education costs nor does it factor in the self-insured dental change that is being implemented on September 1, 2009. Those changes and others will be considered when the budget is reviewed for amendment in the fall.

Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. While Chippewa Valley Schools has managed its finances in this difficult period, without a substantial improvement in the Michigan and national economy and a stable funding mechanism for schools, it will be an immense challenge to maintain educational services at the current level.

Chippewa Valley Schools

Statement of Net Assets (Deficit) June 30, 2009

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 12,339,359
Receivables:	
Accounts	82,654
Interest	49,068
Due from other governmental units	19,546,267
Inventories	112,311
Prepaid costs	1,597,163
Restricted assets (Note 3)	18,727,120
Capital assets - Net (Note 5)	<u>372,050,932</u>
Total assets	424,504,874
Liabilities	
Accounts payable	3,269,835
Accrued payroll and other liabilities	11,813,292
Employee fringe benefits payable	1,721,431
Retirement benefits payable	2,880,210
Retainage payable	572,247
Deferred revenue (Note 4)	677,214
Long-term liabilities (Note 7):	
Due within one year	23,926,296
Due in more than one year	<u>430,592,122</u>
Total liabilities	<u>475,452,647</u>
Net Assets (Deficit)	
Investment in capital assets - Net of related debt	(52,071,603)
Restricted:	
Debt service	1,842,334
Capital projects	591,906
Unrestricted	<u>(1,310,410)</u>
Total net assets (deficit)	<u>\$ (50,947,773)</u>

Chippewa Valley Schools

Statement of Activities Year Ended June 30, 2009

	Program Revenues		Governmental	
	Expenses	Charges for Services	Operating Grants/Contributions	
			Net (Expense) Revenue and Changes in Net Assets (Deficit)	
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 83,143,707	\$ -	\$ 14,646,316	\$ (68,497,391)
Support services	46,346,112	-	4,924,590	(41,421,522)
Community services	864,221	-	-	(864,221)
Food services	3,319,271	2,216,569	1,254,866	152,164
Building activities	2,024,936	1,897,596	-	(127,340)
Athletics	1,785,614	548,939	-	(1,236,675)
International academy	878,688	1,689,438	-	810,750
Interest on long-term debt	20,068,151	-	-	(20,068,151)
Depreciation (unallocated)	10,611,934	-	-	(10,611,934)
Total governmental activities	\$ 169,042,634	\$ 6,352,542	\$ 20,825,772	(141,864,320)
General revenues:				
Taxes:				
				14,353,375
				29,546,673
				91,309,195
				1,350,151
				4,479,289
Special item - Loss on disposal of capital assets (Note 5)				(2,195,066)
				<u>138,843,617</u>
				(3,020,703)
				<u>(47,927,070)</u>
				\$ (50,947,773)

Chippewa Valley Schools

Governmental Funds Balance Sheet June 30, 2009

	General Fund	2005 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 10,746,330	\$ -	\$ 1,593,029	\$ 12,339,359
Receivables:				
Accounts	52,046	-	30,608	82,654
Interest	-	49,068	-	49,068
Due from other governments	19,546,267	-	-	19,546,267
Due from other funds (Note 6)	241,877	-	755,685	997,562
Inventories	69,966	-	42,345	112,311
Prepaid costs	1,558,550	37,363	1,250	1,597,163
Restricted assets (Note 3)	-	16,884,321	1,842,799	18,727,120
Total assets	\$ 32,215,036	\$ 16,970,752	\$ 4,265,716	\$ 53,451,504
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 799,685	\$ 2,414,640	\$ 4,883	\$ 3,219,208
Accrued payroll and other liabilities	9,033,033	-	-	9,033,033
Employee fringe benefits payable	1,721,431	-	-	1,721,431
Retirement benefits payable	2,880,210	-	-	2,880,210
Retainage payable	-	572,247	-	572,247
Due to other funds (Note 6)	806,312	-	241,877	1,048,189
Deferred revenue (Note 4)	619,849	-	57,365	677,214
Total liabilities	15,860,520	2,986,887	304,125	19,151,532
Fund Balances				
Reserved:				
Capital projects (bonded)	-	12,131,132	-	12,131,132
Debt service	-	-	1,842,334	1,842,334
Inventories	69,966	-	42,345	112,311
Prepays	1,558,550	37,363	1,250	1,597,163
Construction commitments (Note 5)	-	1,815,370	-	1,815,370
Unreserved:				
Designated for deferred health benefit costs	1,723,953	-	-	1,723,953
Undesignated, reported in:				
General Fund	13,002,047	-	-	13,002,047
Special Revenue Funds	-	-	2,075,662	2,075,662
Total fund balances	16,354,516	13,983,865	3,961,591	34,299,972
Total liabilities and fund balances	\$ 32,215,036	\$ 16,970,752	\$ 4,265,716	\$ 53,451,504

Chippewa Valley Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2009

Fund Balance - Total Governmental Funds \$ 34,299,972

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

Cost of capital assets	\$ 461,398,910	
Accumulated depreciation	<u>(89,347,978)</u>	372,050,932

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable - Net of bond premium and deferred charges	(450,953,839)
Compensated absences	(1,741,289)
Self-insurance liability	(919,650)
Early retirement incentives	(903,640)

Accrued interest payable is not included as a liability in governmental funds (2,780,259)

Net Assets (Deficit) - Governmental Activities **\$ (50,947,773)**

Chippewa Valley Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	2005 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Local sources	\$ 21,493,743	\$ 591,906	\$ 35,196,063	\$ 57,281,712
State sources	97,254,367	-	151,110	97,405,477
Federal sources	9,686,814	395,676	1,103,756	11,186,246
Interdistrict sources	-	-	1,689,438	1,689,438
Total revenue	128,434,924	987,582	38,140,367	167,562,873
Expenditures				
Current:				
Instruction	80,543,171	-	-	80,543,171
Support services	45,939,445	-	-	45,939,445
Community services	796,833	-	-	796,833
Food service	-	-	3,319,271	3,319,271
International Academy	-	-	878,688	878,688
Resale	-	-	355,668	355,668
Athletics	-	-	1,785,614	1,785,614
Building activities	-	-	2,024,936	2,024,936
Debt service:				
Principal	-	-	21,566,344	21,566,344
Interest	-	-	20,920,713	20,920,713
Other	-	-	203,595	203,595
Capital outlay	81,031	22,318,922	377,577	22,777,530
Total expenditures	127,360,480	22,318,922	51,432,406	201,111,808
Excess of Revenue Over (Under) Expenditures	1,074,444	(21,331,340)	(13,292,039)	(33,548,935)
Other Financing (Uses) Sources				
Transfers (out) in	(1,164,366)	-	1,164,366	-
Long-term debt issued	-	-	12,630,874	12,630,874
Total other financing (uses) sources	(1,164,366)	-	13,795,240	12,630,874
Net Change in Fund Balances	(89,922)	(21,331,340)	503,201	(20,918,061)
Fund Balances - Beginning of year	16,444,438	35,315,205	3,458,390	55,218,033
Fund Balances - End of year	<u>\$ 16,354,516</u>	<u>\$ 13,983,865</u>	<u>\$ 3,961,591</u>	<u>\$ 34,299,972</u>

Chippewa Valley Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (20,918,061)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	\$ (10,611,934)
Capitalized capital outlay	<u>21,310,946</u>
	10,699,012
Loss on disposal of assets; in the statement of activities, these are recorded as a special item expense	(2,195,066)
Bond and debt issuances are not reported as financing sources in the statement of activities	(12,630,872)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	144,448
Amortization of deferred charges reported is not recorded as an expense in the statement of activities	(142,938)
Amortization of bond premium is not recorded as revenue in the governmental funds	851,052
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	21,566,344
Compensated absences, as well as estimated self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than earned	<u>(394,622)</u>
Change in Net Assets of Governmental Activities	<u>\$ (3,020,703)</u>

Chippewa Valley Schools

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2009

	Student Activities <u>Agency Fund</u>
Assets	
Cash and investments (Note 3)	\$ 772,028
Due from other funds (Note 6)	<u>50,627</u>
Total assets	<u><u>\$ 822,655</u></u>
Liabilities - Due to student groups	<u><u>\$ 822,655</u></u>

Note I - Summary of Significant Accounting Policies

The accounting policies of Chippewa Valley Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Special Item - Transactions within the control of management that are either unusual in nature or infrequent in occurrence are reported as special items in the statement of activities.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2005 Bond Capital Projects Fund - The 2005 Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services, Athletics, Resale, International Academy, and Building Activities Funds. Any operating deficit generated by these activities, excluding the International Academy, is the responsibility of the General Fund.

Debt Service Funds - The School District's Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the related bond issues.

2001 Series I Bond Capital Projects Fund - The 2001 Series I Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

2002 Bond Capital Projects Fund - The 2002 Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary Fund - Agency Fund - The Fiduciary Fund is used to account for assets held by the School District in a trustee capacity or as an agent. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operations. The only Fiduciary Fund is a Student Activities Fund (Agency) that is used to record the transactions of student groups for schools and school-related purposes. The funds are segregated and held in trust for students.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property is assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28. Taxes are considered delinquent on March 1 the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds of the Capital Projects Funds require amounts to be set aside for construction and the debt funds cash required to be used for future bond payments. These amounts have been classified as restricted assets.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20-50 years
Buses and other vehicles	7 years
Furniture and equipment	5-20 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits and early retirement incentives. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets (deficit). Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. Various administrators are authorized to transfer budgeted amounts within functions with any fund; however, any revisions that alter the total expenditures of any function must be approved by the Board of Education. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. The School District did not have any expenditure overruns. State law permits districts to amend their budgets during the year. The School District amended its budget twice during the fiscal year. These budget amendments were adopted by the school board on December 1, 2008 and May 18, 2009.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Capital Projects Fund Compliance - The 2005 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper (rated prime at the time of purchase that matures not more than 270 days after the date of purchase), mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated seven financial institutions for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits. At year end, the School District's deposit balance of \$32,093,414 had \$28,511,525 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of federal insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. At June 30, 2009, the School District did not hold any investment securities that were uninsured and unregistered.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Weighted Average Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 10,112,726	N/A	AAAm	Standard & Poor's
U.S. agency bonds	<u>2,603,623</u>	.14 years	AAA	Standard & Poor's
Total investments	<u>\$ 12,716,349</u>			

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the School District's investments is in a U.S. agency bond. The investment issuer and the percent of total investments of these bonds are as follows:

<u>Issuer</u>	<u>Percent of Investments</u>
Freddie Mac	20

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Receivables

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the School District has \$619,849 of deferred revenue related to grants received and tuition payments received but not yet earned and \$57,365 of deposits received for the subsequent year's food service and summer preschool programs.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2008	Additions	Reclassifications	Disposals and Adjustments	Balance June 30, 2009
Capital assets not being depreciated:					
Land	\$ 12,414,233	\$ 677,407	\$ -	\$ -	\$ 13,091,640
Construction in progress	2,654,764	-	(2,654,764)	-	-
Subtotal	15,068,997	677,407	(2,654,764)	-	13,091,640
Capital assets being depreciated:					
Buildings and building improvements	392,842,374	15,189,877	2,654,764	-	410,687,015
Buses and other vehicles	7,229,869	1,049,243	-	-	8,279,112
Furniture and equipment	27,331,483	4,394,419	-	(2,384,759)	29,341,143
Subtotal	427,403,726	20,633,539	2,654,764	(2,384,759)	448,307,270
Accumulated depreciation:					
Buildings and building improvements	64,040,013	7,449,971	-	-	71,489,984
Buses and other vehicles	3,358,032	744,160	-	-	4,102,192
Furniture and equipment	11,527,692	2,417,803	-	(189,693)	13,755,802
Subtotal	78,925,737	10,611,934	-	(189,693)	89,347,978
Net capital assets being depreciated	348,477,989	10,021,605	2,654,764	(2,195,066)	358,959,292
Net governmental capital assets	<u>\$ 363,546,986</u>	<u>\$ 10,699,012</u>	<u>\$ -</u>	<u>\$ (2,195,066)</u>	<u>\$ 372,050,932</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Construction Commitments - The School District has active construction projects at year end. The projects are reported in the 2005 Capital Projects Fund. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2005 Capital Projects Fund	<u>\$ 114,574,266</u>	<u>\$ 1,815,370</u>

Chippewa Valley Schools

Notes to Financial Statements June 30, 2009

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Other Nonmajor Governmental Funds	
General Fund	\$ -	\$ 241,877	\$ 241,877
Other nonmajor governmental funds	755,685	-	755,685
Fiduciary Fund	50,627	-	50,627
Total	<u>\$ 806,312</u>	<u>\$ 241,877</u>	<u>\$ 1,048,189</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund investment accounts.

Interfund Transfers

Transfers of \$1,262,474 from the General Fund subsidized operations in the Athletics Fund. Transfers of \$278,008 from the General Fund to the International Academy covered the School District's tuition owed to the Academy. The International Academy transferred \$376,116 to the General Fund to reimburse the School District for staff working at the Academy.

Note 7 - Long-term Debt

The School District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, termination benefits, and certain risk liabilities.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 372,506,000	\$ -	\$ 21,490,000	\$ 351,016,000	\$ 21,207,000
Durant Non-Plaintiff Bond	809,988	-	76,344	733,644	79,976
School bond loan	37,978,265	1,793,996	-	39,772,261	-
School Loan Revolving Fund	35,857,732	10,836,876	-	46,694,608	-
Bond premium and issuance costs	16,018,321	-	851,052	15,167,269	851,052
Less deferred refunding charges	(2,572,881)	-	(142,938)	(2,429,943)	(142,938)
Other obligations	3,169,957	11,480,860	11,086,238	3,564,579	1,931,206
Total governmental activities	<u>\$ 463,767,382</u>	<u>\$ 24,111,732</u>	<u>\$ 33,360,696</u>	<u>\$ 454,518,418</u>	<u>\$ 23,926,296</u>

Annual debt service requirements to maturity for the above governmental and Durant bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 21,286,976	\$ 16,409,139	\$ 37,696,115
2011	21,328,785	15,503,839	36,832,624
2012	21,844,936	14,664,180	36,509,116
2013	21,652,947	13,480,325	35,133,272
2014	21,276,000	12,494,778	33,770,778
2015-2019	82,325,000	49,305,460	131,630,460
2020-2024	76,175,000	30,924,859	107,099,859
2025-2029	52,860,000	14,341,708	67,201,708
2030-2034	33,000,000	5,000,000	38,000,000
Total	<u>\$ 351,749,644</u>	<u>\$ 172,124,288</u>	<u>\$ 523,873,932</u>

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

1998 issue - \$85,005,000 serial bonds due in annual installments of \$10,000 to \$510,000 through May 1, 2013; interest from 4.5 percent to 4.7 percent	\$ 1,515,000
2001 Series I issue - \$61,715,000 serial bonds due in annual installments of \$2,550,000 through May 1, 2011; interest from 4.1 percent to 4.25 percent	5,100,000
2002 issue - \$50,050,000 serial bonds due in annual installments of \$1,775,000 to \$2,395,000 through May 1, 2012; interest from 4.5 percent to 5.0 percent	5,945,000
2003 Refunding issue - \$58,895,000 serial bonds due in annual installments of \$2,845,000 to \$3,325,000 through May 1, 2021; interest from 4.0 to 5.0 percent	37,140,000
2003 School Bond Loan Refunding issue - \$34,761,580 serial bonds due in annual installments of \$3,752,000 to \$4,266,000 through May 1, 2014; fixed interest at 3.318 percent	20,026,000
2004 Refunding issue - \$19,570,000 serial bonds due in annual installments of \$1,100,000 to \$1,305,000 through May 1, 2015; interest from 3.5 percent to 5.0 percent	7,205,000
2005 issue - \$158,335,000 serial bonds due in annual installments of \$5,225,000 to \$6,800,000 through May 1, 2034; interest from 3.8 percent to 5.0 percent	146,525,000
2005 Refunding issue - \$64,285,000 serial bonds due in annual installments of \$2,425,000 to \$7,730,000 through May 1, 2027; interest at 5.0 percent	64,285,000
2006 Refunding issue - \$63,575,000 serial bonds due in annual installments of \$110,000 to \$8,435,000 through May 1, 2027; interest from 4.0 percent to 5.0 percent	<u>63,275,000</u>
Total bonded debt	<u>\$ 351,016,000</u>

Chippewa Valley Schools

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

Other governmental activities long-term obligations include the following:

Employee-compensated absences	\$ 1,741,289
Voluntary retirement supplement	903,640
Self-insurance liability	<u>919,650</u>
Total	<u>\$ 3,564,579</u>

Durant Non-Plaintiff Bond - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$96,333 to \$647,230 associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources. The Durant Non-Plaintiff Bond is comprised of the following issue:

- \$1,371,786 School Improvement Bond, Series 1998 - due in annual installments of \$76,344 to \$477,936 through May 15, 2013; interest at 4.76 percent

School Bond Loan - The school bond loan payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest, at an annual rate ranging from 4.125 percent to 6.125 percent from July 1, 2008 to June 30, 2009, has been assessed for the year ended June 30, 2009. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

Note 7 - Long-term Debt (Continued)

School Loan Revolving Fund - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning October 1, 2005 pursuant to Public Act 92. Interest, at an annual rate ranging from 4.298 percent to 6.219 percent from July 1, 2008 to June 30, 2009, has been assessed for the year ended June 30, 2009. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2040. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

Advance Refundings - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2009, \$223,810,000 of prior years' bonds outstanding are considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for all claims except workers' compensation, dental, and medical. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. For dental, claims are limited to various maximum amounts which depend on employee contractual groups.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2009

Note 8 - Risk Management (Continued)

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements. The School District's maximum exposure is limited to the specific stop loss for workers' compensation claims of \$250,000. Changes in the estimated liability for the past two fiscal years were as follows:

	2009	2008
Estimated liability - Beginning of year	\$ 160,988	\$ 291,151
Estimated claims incurred - Including changes in estimates	286,591	132,987
Claim payments	<u>243,762</u>	<u>263,150</u>
Estimated liability - End of year	<u>\$ 203,817</u>	<u>\$ 160,988</u>

Beginning July 1, 2008, the School District became partially self-insured for medical benefits provided to employees. The School District's maximum loss exposure for the fiscal year ended June 30, 2009 was limited to a specific stop loss of \$75,000 and an aggregate stop loss at 120 percent of estimated medical claims, excluding prescription coverage, not to exceed \$8,951,050. The School District has purchased commercial excess insurance coverage to pay employee claims in excess of deductible amounts. Changes in the estimated liability for the year were as follows:

Estimated liability - Beginning of year	\$ -
Estimated claims incurred - Including changes in estimates	10,471,504
Claim payments	<u>9,755,671</u>
Estimated liability - End of year	<u>\$ 715,833</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

**Note 9 - Defined Benefit Pension Plan and Postemployment Benefits
(Continued)**

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.17 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 9.73 percent for the period from October 1, 2008 through June 30, 2009. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2009, 2008, and 2007 were \$8,110,157, \$8,124,728, and \$8,500,491, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 6.81 percent for the period from October 1, 2008 through June 30, 2009. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2009, 2008, and 2007 were \$5,577,471, \$5,128,904, and \$5,094,518, respectively.

Required Supplemental Information

Chippewa Valley Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 20,483,580	\$ 21,483,615	\$ 21,493,743	\$ 10,128
State sources	102,701,975	102,896,467	97,254,367	(5,642,100)
Federal sources	3,630,614	4,051,556	9,686,814	5,635,258
Total revenue	126,816,169	128,431,638	128,434,924	3,286
Expenditures - Current				
Instruction:				
Basic programs	68,482,521	68,092,502	67,669,947	(422,555)
Added needs	12,605,554	12,763,765	12,653,132	(110,633)
Adult and continuing education	224,067	253,470	261,017	7,547
Support services:				
Pupil	11,348,442	11,067,801	10,926,088	(141,713)
Instructional staff	4,330,787	4,708,355	4,624,286	(84,069)
General administration	862,919	856,176	842,887	(13,289)
School administration	7,963,384	8,058,762	8,053,550	(5,212)
Business services	1,847,355	2,070,928	2,091,907	20,979
Operations and maintenance	12,489,445	12,028,796	11,637,176	(391,620)
Transportation and maintenance	4,576,222	4,307,611	4,209,067	(98,544)
Central	3,360,485	3,661,115	3,594,590	(66,525)
Community services	834,913	857,011	796,833	(60,178)
Total expenditures	128,926,094	128,726,292	127,360,480	(1,365,812)
Other Financing Sources (Uses)				
Transfers in	109,000	483,103	376,116	(106,987)
Transfers out	(1,350,000)	(1,528,000)	(1,540,482)	(12,482)
Total other financing uses	(1,241,000)	(1,044,897)	(1,164,366)	(119,469)
Net Change in Fund Balance	(3,350,925)	(1,339,551)	(89,922)	1,249,629
Fund Balance - July 1, 2008	16,444,438	16,444,438	16,444,438	-
Fund Balance - June 30, 2009	<u>\$ 13,093,513</u>	<u>\$ 15,104,887</u>	<u>\$ 16,354,516</u>	<u>\$ 1,249,629</u>

Other Supplemental Information

Chippewa Valley Schools

	Special Revenue Funds					Debt Service Funds			
	Cafeteria	International Academy	Resale	Athletics	Building Activities	1998 Durant	1998 Issue	2001 Issue	2002 Issue
Assets									
Cash and investments	\$ 612,299	\$ -	\$ 4,057	\$ -	\$ 976,673	\$ -	\$ -	\$ -	\$ -
Accounts receivable	6,850	-	-	-	23,758	-	-	-	-
Prepays	-	-	1,250	-	-	-	-	-	-
Due from other funds	45,043	366,566	157,977	186,099	-	-	-	-	-
Inventories	42,345	-	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	122,203	138,774	152,758
Total assets	\$ 706,537	\$ 366,566	\$ 163,284	\$ 186,099	\$ 1,000,431	\$ -	\$ 122,203	\$ 138,774	\$ 152,758
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 335	\$ -	\$ -	\$ -	\$ 4,083	\$ -	\$ 37	\$ 39	\$ 46
Due to other funds	-	-	-	-	241,877	-	-	-	-
Deferred revenue	43,144	-	14,221	-	-	-	-	-	-
Total liabilities	43,479	-	14,221	-	245,960	-	37	39	46
Fund Balances									
Reserved:									
Debt service	-	-	-	-	-	-	122,166	138,735	152,712
Inventories	42,345	-	-	-	-	-	-	-	-
Prepays	-	-	1,250	-	-	-	-	-	-
Unreserved - Undesignated, reported in Special Revenue Funds	620,713	366,566	147,813	186,099	754,471	-	-	-	-
Total fund balances	663,058	366,566	149,063	186,099	754,471	-	122,166	138,735	152,712
Total liabilities and fund balances	\$ 706,537	\$ 366,566	\$ 163,284	\$ 186,099	\$ 1,000,431	\$ -	\$ 122,203	\$ 138,774	\$ 152,758

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

Debt Service Funds						Capital Projects Fund			
2003 Refunding Issue	2004 Refunding Issue	2005 Issue	2005 Refunding	School Bond Loan Refunding	2006 Refunding	2001 Series I Capital Projects Fund	2002 Capital Projects Fund	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,593,029	
-	-	-	-	-	-	-	-	30,608	
-	-	-	-	-	-	-	-	1,250	
-	-	-	-	-	-	-	-	755,685	
-	-	-	-	-	-	-	-	42,345	
<u>253,970</u>	<u>111,854</u>	<u>558,905</u>	<u>153,372</u>	<u>209,455</u>	<u>141,508</u>	-	-	<u>1,842,799</u>	
\$ 253,970	\$ 111,854	\$ 558,905	\$ 153,372	\$ 209,455	\$ 141,508	\$ -	\$ -	\$ 4,265,716	
\$ 67	\$ 36	\$ 131	\$ 37	\$ 53	\$ 19	\$ -	\$ -	\$ 4,883	
-	-	-	-	-	-	-	-	241,877	
-	-	-	-	-	-	-	-	57,365	
<u>67</u>	<u>36</u>	<u>131</u>	<u>37</u>	<u>53</u>	<u>19</u>	-	-	<u>304,125</u>	
253,903	111,818	558,774	153,335	209,402	141,489	-	-	1,842,334	
-	-	-	-	-	-	-	-	42,345	
-	-	-	-	-	-	-	-	1,250	
-	-	-	-	-	-	-	-	2,075,662	
<u>253,903</u>	<u>111,818</u>	<u>558,774</u>	<u>153,335</u>	<u>209,402</u>	<u>141,489</u>	-	-	<u>3,961,591</u>	
\$ 253,970	\$ 111,854	\$ 558,905	\$ 153,372	\$ 209,455	\$ 141,508	\$ -	\$ -	\$ 4,265,716	

Chippewa Valley Schools

	Special Revenue Funds					Debt Service Funds			
	Cafeteria	International	Resale	Athletics	Building	1998 Durant	1998 Issue	2001 Issue	2002 Issue
		Academy			Activities				
Revenue									
Local	\$ 2,226,540	\$ -	\$ 297,692	\$ 548,939	\$ 1,897,596	\$ 96,333	\$ 1,967,857	\$ 2,245,257	\$ 2,483,354
State	151,110	-	-	-	-	-	-	-	-
Federal	1,103,756	-	-	-	-	-	-	-	-
Interdistrict	-	1,689,438	-	-	-	-	-	-	-
Total revenue	3,481,406	1,689,438	297,692	548,939	1,897,596	96,333	1,967,857	2,245,257	2,483,354
Expenditures									
Current:									
Food services	3,319,271	-	-	-	-	-	-	-	-
International Academy	-	878,688	-	-	-	-	-	-	-
Resale	-	-	355,668	-	-	-	-	-	-
Athletics	-	-	-	1,785,614	-	-	-	-	-
Building activities	-	-	-	-	2,024,936	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	76,344	2,385,000	2,550,000	2,765,000
Interest	-	-	-	-	-	19,989	839,962	746,107	877,337
Other	-	-	-	-	-	-	19,385	17,625	18,549
Capital outlay	3,721	346,076	1,757	25,799	-	-	-	-	-
Total expenditures	3,322,992	1,224,764	357,425	1,811,413	2,024,936	96,333	3,244,347	3,313,732	3,660,886
Excess of Revenue Over (Under) Expenditures	158,414	464,674	(59,733)	(1,262,474)	(127,340)	-	(1,276,490)	(1,068,475)	(1,177,532)
Other Financing Sources (Uses)									
Transfers in	-	278,008	-	1,262,474	-	-	-	-	-
Transfers out	-	(376,116)	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-	1,230,690	1,059,474	1,117,151
Total other financing sources (uses)	-	(98,108)	-	1,262,474	-	-	1,230,690	1,059,474	1,117,151
Net Change in Fund Balances	158,414	366,566	(59,733)	-	(127,340)	-	(45,800)	(9,001)	(60,381)
Fund Balances - Beginning of year	504,644	-	208,796	186,099	881,811	-	167,966	147,736	213,093
Fund Balances - End of year	\$ 663,058	\$ 366,566	\$ 149,063	\$ 186,099	\$ 754,471	\$ -	\$ 122,166	\$ 138,735	\$ 152,712

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009**

Debt Service Funds						Capital Projects Fund			
2003 Refunding				School Bond		2001 Series I			
Issue	2004 Refunding	2005 Issue	2005 Refunding	Loan Refunding	2006 Refunding	Capital Projects Fund	2002 Capital Projects Fund	Total	
\$ 4,176,175	\$ 1,811,187	\$ 9,256,407	\$ 2,483,407	\$ 3,423,430	\$ 2,281,889	\$ -	\$ -	\$ 35,196,063	
-	-	-	-	-	-	-	-	151,110	
-	-	-	-	-	-	-	-	1,103,756	
-	-	-	-	-	-	-	-	1,689,438	
4,176,175	1,811,187	9,256,407	2,483,407	3,423,430	2,281,889	-	-	38,140,367	
-	-	-	-	-	-	-	-	3,319,271	
-	-	-	-	-	-	-	-	878,688	
-	-	-	-	-	-	-	-	355,668	
-	-	-	-	-	-	-	-	1,785,614	
-	-	-	-	-	-	-	-	2,024,936	
3,410,000	1,995,000	4,600,000	-	3,635,000	150,000	-	-	21,566,344	
2,435,777	733,567	7,891,111	3,403,018	1,074,072	2,899,773	-	-	20,920,713	
28,485	13,416	55,916	15,486	21,839	12,894	-	-	203,595	
-	-	-	-	-	-	118	106	377,577	
5,874,262	2,741,983	12,547,027	3,418,504	4,730,911	3,062,667	118	106	51,432,406	
(1,698,087)	(930,796)	(3,290,620)	(935,097)	(1,307,481)	(780,778)	(118)	(106)	(13,292,039)	
-	-	-	-	-	-	-	-	1,540,482	
-	-	-	-	-	-	-	-	(376,116)	
1,722,629	936,621	3,387,110	979,719	1,312,277	885,203	-	-	12,630,874	
1,722,629	936,621	3,387,110	979,719	1,312,277	885,203	-	-	13,795,240	
24,542	5,825	96,490	44,622	4,796	104,425	(118)	(106)	503,201	
229,361	105,993	462,284	108,713	204,606	37,064	118	106	3,458,390	
\$ 253,903	\$ 111,818	\$ 558,774	\$ 153,335	\$ 209,402	\$ 141,489	\$ -	\$ -	\$ 3,961,591	

Chippewa Valley Schools

June 30	2006		2005		2004 Issue
	Durant	Refunding Issue	Refunding Issue	2005 Issue	
	Principal	Principal	Principal	Principal	Principal
2010	\$ 79,976	\$ 2,645,000	\$ -	\$ 5,225,000	\$ 1,305,000
2011	83,785	2,765,000	-	5,250,000	1,265,000
2012	477,936	2,680,000	2,685,000	5,275,000	1,225,000
2013	91,947	1,905,000	5,365,000	5,300,000	1,180,000
2014	-	1,890,000	5,490,000	5,325,000	1,130,000
2015	-	110,000	7,410,000	5,350,000	1,100,000
2016	-	115,000	7,520,000	5,400,000	-
2017	-	120,000	7,625,000	5,450,000	-
2018	-	125,000	7,730,000	5,500,000	-
2019	-	5,530,000	2,435,000	5,575,000	-
2020	-	5,615,000	2,425,000	5,650,000	-
2021	-	8,285,000	-	5,725,000	-
2022	-	8,435,000	-	5,800,000	-
2023	-	8,425,000	-	5,875,000	-
2024	-	4,345,000	3,900,000	5,950,000	-
2025	-	4,320,000	3,900,000	6,025,000	-
2026	-	4,290,000	3,900,000	6,100,000	-
2027	-	1,675,000	3,900,000	6,175,000	-
2028	-	-	-	6,250,000	-
2029	-	-	-	6,325,000	-
2030	-	-	-	6,400,000	-
2031	-	-	-	6,500,000	-
2032	-	-	-	6,600,000	-
2033	-	-	-	6,700,000	-
2034	-	-	-	6,800,000	-
Total	\$ 733,644	\$ 63,275,000	\$ 64,285,000	\$ 146,525,000	\$ 7,205,000
Principal payments due	May 15	May 1	May 1	May 1	May 1
Interest payments due	May 15	May 1 and November 1			
Interest rate	4.76%	4.0% to 5.0%	5.0%	3.8% to 5.0%	2.0% to 5.0%
Original issue	\$ 1,371,786	\$ 63,575,000	\$ 64,285,000	\$ 158,335,000	\$ 19,570,000

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2009**

2003 SBL					
Refunding Issue	2003 Issue	2002 Issue	2001 Issue	1998 Issue	
Principal	Principal	Principal	Principal	Principal	Total
\$ 3,752,000	\$ 3,325,000	\$ 2,395,000	\$ 2,550,000	\$ 10,000	\$ 21,286,976
3,875,000	3,255,000	1,775,000	2,550,000	510,000	21,328,785
4,002,000	3,225,000	1,775,000	-	500,000	21,844,936
4,131,000	3,185,000	-	-	495,000	21,652,947
4,266,000	3,175,000	-	-	-	21,276,000
-	3,135,000	-	-	-	17,105,000
-	3,090,000	-	-	-	16,125,000
-	3,050,000	-	-	-	16,245,000
-	3,000,000	-	-	-	16,355,000
-	2,955,000	-	-	-	16,495,000
-	2,900,000	-	-	-	16,590,000
-	2,845,000	-	-	-	16,855,000
-	-	-	-	-	14,235,000
-	-	-	-	-	14,300,000
-	-	-	-	-	14,195,000
-	-	-	-	-	14,245,000
-	-	-	-	-	14,290,000
-	-	-	-	-	11,750,000
-	-	-	-	-	6,250,000
-	-	-	-	-	6,325,000
-	-	-	-	-	6,400,000
-	-	-	-	-	6,500,000
-	-	-	-	-	6,600,000
-	-	-	-	-	6,700,000
-	-	-	-	-	6,800,000
<u>\$ 20,026,000</u>	<u>\$ 37,140,000</u>	<u>\$ 5,945,000</u>	<u>\$ 5,100,000</u>	<u>\$ 1,515,000</u>	<u>\$ 351,749,644</u>
May 1					
May 1 and November 1					
3.318%	2.25% to 5.0%	4.0% to 5.5%	3.75% to 5.375%	4.15% to 6.0%	
<u>\$ 34,761,580</u>	<u>\$ 58,895,000</u>	<u>\$ 50,050,000</u>	<u>\$ 61,715,000</u>	<u>\$ 85,005,000</u>	